

MOTION BY SUPERVISOR MICHAEL D. ANTONOVICH

JUNE 23, 2014

UTILITY USER TAX

On November 4, 2008, 62.92% of voters in the unincorporated area of the County of Los Angeles (County) approved a utility user tax (UUT) for the purpose of funding essential services, including sheriff's deputies, parks, libraries, street repairs and other general municipal services. Since then, the UUT revenue collections have declined, but the Board of Supervisors (Board) has continued its annual allocation of these resources based on a formula established in fiscal year (FY) 2004-05. Specifically, in FY 2009-10 there was a \$4 million deficit which has grown into an \$8.7 million structural deficit for FY 2013-14 in the UUT budget. The formula includes an allocation of \$19.7 million, over 30% of the revenue collected from this tax, to the Department of Health Services.

Over the past ten years, major changes in the local economy, County demographics, and legislation, including the Public Safety Realignment Act (Assembly Bill 109), the Affordable Care Act, and the Dissolution of Redevelopment Agencies (AB x126 and AB 1484) have significantly impacted the County's budget, operations, and approach to service delivery. In particular, the County's Maintenance of Effort (MOE) with the State of California, implemented in 2013, established a specific formula to fund healthcare services throughout the County. The MOE, which required a base-year contribution of \$323 million from the County's general fund sources and included an

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annual 1% growth factor, is partially funded by the \$19.7 million UUT allocation. For the foreseeable future, all of the above changes will continue to require the Board to adjust its resource allocations to reflect the changing environment, service obligations and resulting shift in priorities.

The formula for allocating UUT revenue has not been adjusted or evaluated for its appropriateness since first implemented. Instead, the UUT revenue continues to be allocated based on a fixed, albeit outdated, methodology that does not account for important changes such as demographics, economic indicators, or supervisorial district boundaries, based on the 2010 census. For instance, by appropriating over 30% of revenue collected solely from unincorporated residents to partially fund a countywide commitment for health services, it places an inequitable burden on unincorporated area taxpayers for healthcare. As such, it is important to update the existing allocation methodology to ensure that it is relevant and reflects the needs of the residents in the unincorporated communities that are being taxed. Ultimately, the UUT revenue should be allocated equitably, based on specific, quantifiable metrics that reflect ongoing changes in the County's environment.

I, THEREFORE, MOVE that the Board of Supervisors direct the Chief Executive Officer to replace the \$19.7 million of utility user tax (UUT) revenue in the Department of Health Services' budget with funds in the supplemental budget, in order to satisfy the County's healthcare maintenance of effort requirement with the State of California and to adjust the budgeted UUT amount to reflect the actual revenues.

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